OSA Newsletter

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Retiree Health Care

New Benefits in Medicare

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides those age 65 and older, and those with disabilities, more choices in health care coverage and health care benefits. This new law adds prescription drug and preventive care coverage, and provides additional benefits for low income recipients.

Medicare-approved drug discount cards, available later this year, will allow Medicare recipients to save 10–25% on prescription drugs. Medicare will contract with private companies to offer new drug discount cards until the new Medicare prescription drug benefit starts in 2006.

Medicare recipients whose income in 2003 was no more than $12,123 for a single person, or no more than $16,362 for a married couple, may qualify for a $600 credit on their discount card to help pay for prescription drugs.

Also new for 2004 is Medicare Advantage, the new name for Medicare + Choice plans. Rules and payments under Medicare Advantage are changed to provide more health plan choices and benefits. New preventive benefits will include:

- An initial physical exam within 6 months of enrollment in Medicare Part B.
- Screening blood tests for early detection of cardiovascular (heart) diseases.
- Diabetes screening tests for those at risk.

For more information, call 1-800-MEDICARE (1-800-633-4227) or visit www.medicare.gov

Federal Benefits

Social Security Increases 2.1% for 2004

Monthly Social Security and Supplemental Security Income benefits for more than 51 million Americans increased 2.1% in 2004.

These benefits increase automatically each year based on the rise in the Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), from the third quarter of the prior year to the corresponding period of the current year.

Some other changes that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (maximum taxable wage base) increased to $87,900 from $87,000 in 2003. Of the estimated 156 million workers who will pay

Social Security taxes in 2004, about 9.2 million will pay higher taxes as a result of the increase in the taxable wage base in 2004.

More information at www.ssa.gov

Pension Security

PBGC in the Red in 2003

The Pension Benefit Guaranty Corporation (PBGC) is a pension insurance program for qualified private-sector pension plans. According to it's recently released annual report, in 2003 the program suffered a net loss of $7.6 billion. As a result, the PBGC's fiscal year-end deficit worsened to a record $11.2 billion, three times larger than any previously recorded deficit.

The PBGC's single-employer program insures the pensions of 34.5 million Americans in 29,500 plans. Of the $7.6 billion net loss for 2003, the two biggest factors were a $5.4 billion loss from completed and probable pension plan terminations, and a $4.3 billion loss due to declining interest rates.

Partially offsetting the single-employer program's losses were premium income of $948 million and investment income of $3.3 billion. Overall, including the assets of terminated plans for which PBGC took responsibility during the year, the single-employer program had $34 billion in assets to cover $45.3 billion in liabilities. The previous year, the program had $25.4 billion in assets to cover $29 billion in liabilities.

More information at www.pbgc.gov

Assets

We're Number 35

According to the 2003 Databook compiled by Pensions & Investments and Watson Wyatt, the combined $38 billion in retirement fund assets managed by the Washington State Investment Board ranked 35th in the world.

Leading all pensions in plan assets, was the Japan Government Pension System, valued at $291 billion. Five of the top ten retirement systems were U.S. funds, four of which were government employee retirement funds from California, New York, and Florida.

The largest private U.S. pension fund was the General Motors Retirement fund valued at $73.6 billion placing it 11th in the world. Boeing's retirement plan had assets valued at $49.4 billion and ranked 24th in the world.

At number 35, Washington's combined retirement assets rank above, to name a few, the University of California, Oregon Employees', and Virginia Retirement plans.

The 2003 Databook was published in the December 22, 2003 issue of Pensions & Investments. Information on this publication can be found at www.pionline.com

Funding

NY Comptroller Says "No" to Governor's Proposal

Hoping to fill at least $500 million of a $5.1 billion budget shortfall, New York Governor Pataki proposed lowering retirement contribution rates for state and local governments. According to the January 20th edition of New York Times, State Comptroller Alan G. Hevesi, sole trustee of the New York State Common Retirement Fund, objected to the proposal. Backed by the New York State Constitution, which forbids using pension funds to balance state and local government budgets, Mr. Hevesi refused to endorse the Governor's plan. The Comptroller's aides believed the Governor's plan would be rejected by the court anyway.

Local governments in New York State were hoping to save $800 million by reducing retirement contribution rates.

The Comptroller's office said the contribution rate reduction would force future legislators and taxpayers to pay the bill owed today.

The New York Times is online at
www.nytimes.com

Investments

CalPERS vs. NYSE

The December 16 edition of the New York Times reports the California Public Employees' Retirement System (CalPERS) has filed a lawsuit alleging the New York Stock Exchange (NYSE) and seven NYSE specialist firms, defrauded investors. The $156 billion retirement fund seeks $155 million in damages.

CalPERS claims the specialist firms engaged in abusive trading practices that created huge losses and that NYSE, though aware of the abuses, did little to correct the wrongdoing.

The New York Times is online at
www.nytimes.com

Retirement Policy

A Changing View of Retirement

Back to the Future: Redefining Retirement in the 21st Century, a new survey by Towers Perrin HR Services, outlines the challenges and changes faced by employers and boomers as the "Me generation" nears retirement.

The most significant change described in the survey is how boomers view retirement. In the traditional retirement view, employers and the government provide a "caretaker" role and offer lifetime financial security. Boomers are more apt to view retirement as a system in which the employer and government programs provide a foundation for employees' own "self-managed" retirement planning and saving.

Other key survey findings show fewer employees plan to completely withdraw from active working life after retiring from their primary career. Employers' chief concern is continuing to provide competitive retirement benefits as the business environment and workforce needs continue to change.

Find this and other reports at
www.towersperrin.com